

Business Essentials for State Taxpayers (B.E.S.T.)

Operating a Business in Alabama: Business Personal Property Tax

Rev. 09/07/2021



1



B.E.S.T. Webinar Series Housekeeping Reminders



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If you would like to ask a question about the presentation, please use the Q&A box to send a question to the presenter or a panelist. They will respond to your question(s) either during the presentation or at the end of the presentation.



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2

The information in this presentation is intended to be an overview. It is not a comprehensive explanation of all aspects of the subject matter, does not represent legal advice, and is not legally binding on the Department. Information regarding taxes and tax administration changes frequently and should always be confirmed through a tax professional.

Please refer to the Alabama Department of Revenue website at revenue.alabama.gov for additional information.

Business Personal Property

Property Tax Division



Purpose of this Webinar:

To inform Alabama taxpayers of the requirements and guidelines for reporting taxable personal property in the state.

This presentation will cover:

- What is taxable personal property
- How and when it is to be reported
- How property tax is calculated

What is Property (Ad Valorem) Tax?

- Ad Valorem [Latin] - According to the value of
- Tax levied according to the value of the property being taxed
- Property tax is assessed and collected at the county level in Alabama

What Property Owned by a Business is Taxable?

- Real Property
- Motor Vehicles
- Personal Property



What is Personal Property?

- Property not permanently affixed to, or part of, the real property
- Examples - furniture, computers and/or equipment
- Everything that is **NOT** real estate is personal property

Who is Required to Report Personal Property?

- Every individual, firm, or corporation owning business personal property located in Alabama on October 1;
- Every owner of an aircraft based in Alabama; and
- Every holder of a permanent trailer tag issued by the State of Alabama.

When Should Personal Property Be Reported?

- Between October 1 (lien date) and December 31
- Late returns incur a penalty and fee

Business Personal Property

- Class II property assessed at 20% of market value
- Property tax is billed one year in arrears on October 1 and due no later than December 31
- Property located in Alabama on October 1 is taxable, unless specifically exempted

How Do I Obtain a Business Personal Property Return Form?

- Form mailed from the local county office each year
- Local county assessing official's office
- Download the form (ADV-40) from www.revenue.alabama.gov.





Optional Personal Property
Assessment Link

Online Filing

Available to taxpayers each year from
October 1 to January 31

OPPAL.alabama.gov

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13



Optional Personal Property
Assessment Link

**Filing business personal property returns
is now easier than ever.**

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To file a return in **AUTAUGA, ELMORE, JEFFERSON, LIMESTONE, MOBILE, MONTGOMERY, MORGAN** or **SHELBY**, please [CLICK HERE](#). To file in all other counties in Alabama, please [REGISTER HERE](#)

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14

What Should Be Included in the Itemized Listing?

- Description of the Property
- Acquisition Date of the Property
- Acquisition Cost of the Property



| <u>Type of Property</u> | <u>Date Acquired</u> | <u>Acquisition Cost</u> |
|-------------------------|----------------------|-------------------------|
| 10 Dell Computers | 05/23/2018 | \$10,000 |
| 4 Dell Computers | 02/12/2020 | \$ 5,200 |

How Is My Property Tax Calculated?

Example: Assume you have a business with a total asset market value of \$10,000 located in a city with a combined millage rate of 34.5 mills*, the taxes would be:

ASSESSED VALUE CALCULATION

| <u>Property Market Value</u> | | <u>Assessment Ratio</u> | | <u>Assessed Value</u> |
|------------------------------|---|-------------------------|---|-----------------------|
| \$10,000 | X | 20% | = | \$2,000 |

PROPERTY TAX CALCULATION

| <u>Property Assessed Value</u> | | <u>Millage Rate (as a decimal)</u> | | <u>Property Taxes</u> |
|--------------------------------|---|------------------------------------|---|-----------------------|
| \$2,000 | X | 0.0345 | = | \$69 |

**Millage rates vary, depending on location. Millage rates are listed on the ADOR website, or call your local county assessing official.*

Home Businesses

All personal property used in a home-based business, even if the same property is used personally by the homeowner.

Examples:

- A refrigerator is used for your in-home daycare. It is taxable and should be reported on your return at 100% of acquisition cost.
- Computers may be for personal and business use. They are taxable and should be reported at 100% of the acquisition cost.

Supplies

- Stocks of goods intended to be consumed during the normal course of business. **Not** raw materials, goods in process, or inventory held for sale.
- Report either cost of supplies on hand as of October 1, or one month's average cost.
- Examples:
 - Paper used to wrap sandwiches sold by a restaurant
 - Oil used to lubricate machinery in a plant
 - Cleaning supplies used by a janitorial firm

Don't forget...

- Property taxed at market value as of October 1, each year
- Business Personal Property reported to local county assessing official's office (Form ADV-40) or through official websites
- All property subject to tax in Alabama must be reported annually

Thank you for being ADOR's B.E.S.T.!

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<https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/b-e-s-t-webinar-schedule/>

Also available are B.E.S.T. Learning Modules at
<https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/watch-modules-online/>

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